

Chapter 6: Everglades Forever Act Annual Financial Report

Mary Lou Cariello and Steve Poonaisingh

INTRODUCTION

The information contained in this chapter is presented to fulfill the requirements of the 1997 Everglades Oversight Act (Chapter 97-258, Laws of Florida) as they relate to the reporting of financial information for the Everglades Construction Project (ECP). The 1994 Everglades Forever Act (EFA) requires the South Florida Water Management District (SFWMD or District) to annually provide a comparison of actual versus projected revenues and a projection of costs and revenues over the successive five-year period (**Figures 6-1 through 6-4**).

The EFA directed the District to separately account for all monies used to fund the ECP. In November 1996, the citizens of Florida voted in favor of a constitutionally created Everglades Trust Fund. The legislation passed in 1997 (Chapter 97-258, Laws of Florida) references the Everglades Trust Fund, requiring specific, identified funds to be allocated. This fund, which strengthened Everglades oversight, will be used to account for all revenues and expenses associated with the ECP.

A dedicated funding source is essential to conduct Everglades and Florida Bay protection and restoration programs. The ECP is the first major step in Everglades Restoration and part of the 1994 EFA. The 1994 ECP is one of the largest public works projects in the nation for environmental restoration, estimated to cost \$836.2 million over 20 years. The EFA directs the District to acquire land and to design, permit, and construct a series of Stormwater Treatment Areas (STAs) to reduce phosphorus levels from stormwater runoff and other sources before it enters the Everglades Protection Area (EPA). In total, the ECP is composed of 12 interrelated construction projects located between Lake Okeechobee and the Everglades. Land acquisition has been completed and the STAs are near completion. Other ancillary construction projects will continue through Fiscal Year 2007 (FY2007). The original 1994 ECP projected revenues by source and cost estimates are reflected in **Figure 6-1**.

The EFA also requires the District to investigate technologies that may be superior to the STAs, and to implement basin-specific solutions to achieve compliance with long-term water quality standards. In 2003, the act was amended to include the Conceptual Plan for Achieving Long-Term Water Quality Goals (Long-Term Plan) as the appropriate strategy for achieving the long-term water quality goals for the Everglades Protection Area. Research and assessment supports general requirements of the EFA to evaluate ecological and hydrological needs of the Everglades Protection Area, including minimum flows and levels (MFLs). The Long-Term Plan's initial 13-year phase will cost approximately \$443.9 million. The costs for the various components are shown on page 6-7. Florida Bay restoration program activities are ongoing, with a projected total cost estimate of \$367.0 million. Through FY2004, a total of \$19.5 million had been expended for restoration activities from the District's Florida Bay Fund.

SOURCES OF REVENUE

The total cost associated with implementing the 1994 ECP continues to be shared among the District, other state and federal agencies, and the agricultural community. Funding sources designated by the EFA for the 1994 ECP included 1/10 mill *ad valorem* tax, agricultural privilege taxes, state land funds, federal funds, excess revenues from Alligator Alley tolls, other environmental mitigation funds, and any additional funds that become available for this purpose from any other source. The amended EFA expended the use of the 1/10 mill *ad valorem* tax, which is explained in greater detail below. Since 1994, actual revenues received are \$549.9 million compared to original projections of \$539.4 million (**Figure 6-4**).

The amount of tax revenues collected each year is reduced by early payment discounts provided by each county. These discounts can range from 1 percent to 4 percent, depending on the timeliness of the payment. County processing/collection fees and commissions further reduce the amount of tax revenue available to fund the ECP and the Long-Term Plan.

AD VALOREM TAXES PROVIDE \$43.2 MILLION IN FISCAL YEAR 2004

Since the enactment of the 1994 EFA, 1/10 mill of the District's Okeechobee Basin millage has been dedicated to the 1994 ECP. The 1994 EFA gave the District the authority to levy *ad valorem* taxes of up to 1/10 mill within the Okeechobee Basin for land acquisition, design, and construction of the ECP. As required by the 1994 EFA, this is to be the sole direct contribution of *ad valorem* taxes for the construction project.

The 2003 legislative session amended the 1994 EFA (Section 373.4592, F.S.) to expand the use of the 1/10 mill for implementing the March 2003 Everglades Protection Area Tributary Basins Conceptual Plan for Achieving Long-Term Water Quality Goals Final Report, currently known as the Everglades "Long-Term Plan" (Committee Substitute for Senate Bill [CS/S.B.] No. 626, Chapter 2003-12, Laws of Florida). The amended EFA now allows expenditures from the 1/10 mill *ad valorem* tax associated with design, construction, and implementation of the initial phase of the Long-Term Plan, including operations and maintenance (O&M). Other authorized use of the 1/10 mill *ad valorem* tax is the research for the projects and strategies in the initial phase of the Long-Term Plan, including STA enhancements and O&M of the ECP. For FY2004, net *ad valorem* tax revenues were \$43.2 million (unaudited) through September 30, 2004. The 1/10 mill *ad valorem* tax, net of tax collection cost, is projected to generate \$49.2 million in FY2005.

EVERGLADES AGRICULTURAL AREA PRIVILEGE TAX RAISES \$11.4 MILLION IN FISCAL YEAR 2004

To fund the first phase of the Everglades Restoration Program, the 1994 EFA imposes an annual tax for the privilege of conducting an agricultural trade or business on each acre of real property or portion thereof within the Everglades Agricultural Area (EAA) and C-139 basins. The 1994 EFA specifies that the annual per-acre tax be collected through the normal county tax collection process. The amended EFA (CS/S.B. No. 626, Chapter 2003-12, Laws of Florida) provides a revised computation of the EAA privilege tax, as further discussed below.

The EAA privilege tax rate ranges from a minimum of \$24.89 per acre per year for tax notices mailed from November 1994 through November 1997 to a potential maximum of \$35 per acre for tax notices mailed from November 2006 through November 2013. The recent legislation changes to the existing 1994 EFA now state, “for the tax notices mailed in November 2014 through November 2016 [the rate] is \$25 per acre and for tax notices mailed in November 2017 and thereafter shall be \$10 per acre.” Actual net EAA privilege taxes collected in FY2004 were approximately \$11.4 million (unaudited) through September 30, 2004. The EAA privilege tax, net of tax collection cost, is anticipated to generate \$11.4 million in FY2005.

The EFA encourages optimal performance of Best Management Practices (BMPs) (see Chapter 3 in Volume I of the 2005 SFER) to maximize the reduction of total phosphorus (TP) loads at points of discharge from the EAA by providing an incentive credit against the EAA privilege tax. Each percentage point by which TP loads are reduced beyond the 25 percent EAA basin requirement will result in incentive credits against the EAA privilege tax as follows: \$0.33 per acre for tax notices mailed from November 1994 through November 1997; \$0.54 per acre for tax notices mailed from November 1998 through November 2001; \$0.61 per acre for tax notices mailed from November 2002 through November 2005; and \$0.65 per acre for tax notices mailed from November 2006 through November 2013. Incentive credits will not reduce the agricultural privilege tax rate to less than the \$24.89 per acre minimum (“minimum tax”).

If the application of incentive credits for the performance of BMPs would reduce the annual EAA privilege tax to an amount less than the minimum tax of \$24.89 per acre, then the unused or excess incentive credits will be carried forward, on a TP load percentage basis, to be applied as incentive credits in subsequent years. Any unused or excess incentive credits remaining after certification of the EAA privilege tax roll for the tax notices mailed in November 2013 shall be canceled.

The EFA also provides incentive credits to individual growers for meeting TP load or TP concentration reduction targets. Individual parcels of property shall be subject to the minimum tax if they have achieved the following annual TP load reduction standards: 30 percent or more for tax notices mailed from November 1994 through November 1997; 35 percent or more for tax notices mailed from November 1998 through November 2001; 40 percent or more for tax notices mailed from November 2002 through November 2005; and 45 percent or more for tax notices mailed from November 2006 through November 2013. In addition, any parcel of property that achieves a TP concentration of 50 parts per billion (ppb) shall be subject to the minimum tax in the next calendar year.

EAA VEGETABLE ACREAGE

The EFA recognizes that vegetable farming is subject to both volatile market conditions and to crop loss from natural events. If the governor, president, or U.S. Department of Agriculture (USDA) declares a state of emergency or disaster due to natural conditions, then payment of agricultural privilege tax will be deferred for one year, and repayment can occur during the project up until FY2014. Since 1994, when the tax went into effect, this provision has been applied twice: in 1997 and in 2001. These deferrals still remain in effect.

C-139 BASIN AGRICULTURAL PRIVILEGE TAX RAISES \$535,006 IN FISCAL YEAR 2004

As specified in the 1994 EFA, for the 20-year period between 1994 and 2013, the total amount of tax to be assessed annually will not exceed \$654,656. The C-139 basin agricultural privilege taxes were calculated by dividing \$654,656 by the number of acres included on the C-139 basin agricultural privilege tax roll for that year. The amount paid by an individual property owner may change from year to year depending on the number of acres within the C-139 basin that are classified as agricultural. This computation applied to tax notices mailed through November 2002. The amended EFA provided a revised computation of the C-139 agricultural privilege tax, as discussed below.

The recent legislation changes to the existing 1994 EFA now sets a tax per acre of \$4.30 for the C-139 basin, based on the November 2001 tax roll. The amended EFA states the following: “The C-139 agricultural privilege taxes for the tax notices mailed in November 2003 through November 2013 shall be computed by dividing \$654,656 by the number of acres included on the C-139 basin agricultural privilege tax roll for November 2001, excluding any property located within the C-139 Annex.” Future C-139 basin tax revenues to the District will be reduced by the number of acres that are no longer on the tax roll. Agricultural interests would continue to pay the \$4.30 per acre through FY2014. Beginning with tax notices mailed in November 2014, and thereafter, shall be assessed at the rate of \$1.80 per acre. In FY2004, the net C-139 basin agricultural privilege taxes collected were \$535,006 (unaudited) through September 30, 2004. The C-139 basin agricultural privilege tax, net of tax collection cost, is projected to generate \$528,760 in FY2005.

ALLIGATOR ALLEY TOLL REVENUES COULD PROVIDE \$63 MILLION

The EFA includes the legislative finding that Alligator Alley, designated as State Highway 84 and U.S. Interstate Highway 75, contributed to the alteration of water flows in the Everglades and also affected ecological patterns of the historic southern Everglades. The legislature determined it is in the public interest to establish a system of tolls for Alligator Alley to raise money to help restore the natural values lost by the highway’s construction.

Toll revenues must be split equally between the Everglades and Florida Bay restoration projects. Projects that qualify for these funds include the ECP; land acquisition to move STA-3/4 out of the Toe-of-the-Boot (an Everglades remnant area in the Holey Land tract at the south end of the EAA); water conveyance projects that enable more water resources to reach Florida Bay; engineering design plans for wastewater treatment facilities for Florida Bay marine waters; and highway redesign to improve sheetflow of water across the southern Everglades.

In 1996, the District and the Florida Department of Transportation (FDOT) received federal authorization to redirect the use of Alligator Alley tolls for these projects. The FDOT and the District entered into a Memorandum of Understanding in 1997, setting out the basis for depositing the funds in the Everglades Trust Fund. This was quickly followed by the transfer and deposit of \$17.0 million in excess toll money representing the first transfer. These funds were allocated based on EFA requirements. As such, the funds were split equally, at \$8.5 million each, between the ECP and Florida Bay restoration projects. Since the initial transfer in 1997, a total of \$14,125,000 has been received from the FDOT from FY1998 through FY2004, which was split equally between both projects.

PROJECT ESTIMATES AND CASH FLOW UPDATED FOR THE EVERGLADES FOREVER ACT PROJECT

The current project estimates and cash flow include both the 1994 ECP and the 2003 Long-Term Plan. The most recent schedule includes current project estimates, actual revenues, and expenditures for completing the 1994 ECP, as authorized by the EFA and described in the February 15, 1994 Conceptual Design document. Current cash flows reflect construction cost estimate adjustments based on schedule optimization and refinements to previous cost estimates. In addition, as construction contracts were awarded, actual contract information has replaced both cost and construction period estimates. Current estimates for implementing the Long-Term Plan reflect projected expenditures presented in the Everglades Protection Area Tributary Basins Conceptual Plan for Achieving Long-Term Water Quality Goals Final Report document, dated October 27, 2003. Other project cost estimates, as authorized by the 2003 amended EFA, are shown as well. Cash flow projections have been expanded beyond the original 1994 ECP project components and O&M cost requirements. This chapter details the most current and five-year forecast project estimates for all EFA-related elements now funded by the dedicated revenue sources listed on page 6-2.

Inception-to-date capital expenditures through FY2004 for the 1994 ECP were \$486.8 million. The five-year forecast (FY2005–FY2009) of the remaining 1994 ECP project estimates for capital expenditures are \$35.8 million (**Figure 6-3**). Inception-to-date O&M expenditures through FY2004 for the 1994 ECP totaled \$17.2 million. Beginning in FY2004, O&M estimates for the original 1994 ECP and the probable incremental O&M costs associated with the proposed modifications/enhancements to the various STAs and non-STA project components, are now included as part of the Long-Term Plan. The first projected incremental O&M cost for Long-Term Plan enhancements is scheduled in FY2005 related to STA-3/4.

The current schedules reflecting the local share of design, construction, and land acquisition costs for the 1994 ECP are estimated at \$522.6 million. When combined with the federal share of \$198.9 million, the total estimated capital costs is \$721.5 million through FY2007. The O&M of the 1994 ECP is anticipated to cost \$114.7 million through FY2014. Under the old reporting format, the most recent combined total estimated cost of the project is \$836.2 million. As mentioned above, all O&M costs are now reflected as part of Long-Term Plan estimates. Therefore, the current 1994 ECP capital/O&M project estimate is \$533.9 million (**Figure 6-2**).

The current schedules reflecting the costs for implementing the initial phase of the 2003 Long-Term Plan and other associated costs are estimated at \$764.8 million through FY2016. This includes implementing the Long-Term Plan projected at \$443.9 million and the estimated costs of \$320.9 million for other EFA expenditures such as Research, Evaluation and Monitoring. When combined with future Long-Term Plan projects and the 1994 ECP, the total current estimated cost of the EFA Project is \$1.8 billion (**Figure 6-2**). The Long-Term Plan and cost associated with it is discussed in greater detail on pages 6-6 and 6-7.

The five-year forecast (FY2005–FY2009) of revenues by source for the EFA project is \$372.5 million (**Figure 6-3**). Through FY2016, the current EFA project estimate of revenues by source is \$1.8 billion. The schedules show projected cash balance of zero at the end of FY2016. This assumes sufficient anticipated revenues to fund projected and future EFA expenditure needs.

FEDERAL GOVERNMENT TO PROVIDE FUNDING

The Water Resources Development Act of 1996 provides cost-sharing funding for some programs related to Everglades restoration. In particular, the EFA authorizes the U.S. Army Corps of Engineers (USACE) to proceed with STA-1 East/C-51 West, C-111 land acquisition, construction and water quality improvement projects, and the Comprehensive Everglades Restoration Plan (CERP).

STA 1-East/C-51 West is the only ECP project component that is federally funded. The federal government is responsible for \$198.9 million of the total estimated cost of \$220.4 million. The remaining \$21.5 million represents the local share of the total estimated cost.

CERP provides a framework and guide to restore, protect, and preserve the water resources of Central and southern Florida, including the Everglades. CERP centers on updating the Central and Southern Florida (C&SF) Project. The plan was approved in the Water Resources Development Act of 2000. CERP includes more than 60 major components, will take over 30 years to construct, and will cost an estimated \$7.8 billion. Funding for CERP will be shared equally between federal and state/local agencies. For more information, refer to Chapter 2 of this volume or the District's CERP Website at <http://www.evergladesplan.org>.

EVERGLADES LONG-TERM PLAN

The 2003 Florida Legislature amended the 1994 EFA to authorize implementation of the initial phase of the Long-Term Plan and provide funding to continue water quality restoration in the Everglades, and clarification of the law to allow funds to be spent on additional water quality improvements. The amended 1994 EFA expands and extends the use of the District's 1/10 mill *ad valorem* property tax levy, agricultural privilege taxes, and other funding sources for implementing the Long-Term Plan.

The Long-Term Plan will contain two phases: an initial 13-year phase (2003–2016) and a second 10-year phase (2017–2026). The Legislature amended the EFA to implement the first phase. The Legislature indicated that a review of the EFA should occur at least 10 years after implementation of the initial phase. The second phase (as needed to meet planning objectives) must be approved by the Legislature and codified into the EFA prior to implementation of the projects.

The Long-Term Plan's initial 13-year phase will cost \$443.9 million¹ and includes STA enhancement construction, operation, maintenance, and monitoring of the 1994 ECP. Additional funds will be used to develop and implement new advanced technologies as they are developed. The District is mandated to continue conducting research and demonstration projects to investigate ways to further reduce phosphorous levels and to apply that knowledge as it becomes available. See data below for detail costs of the various components of the Long-Term Plan.

In FY2004, a total of \$16.1 million (unaudited) was expended during the first year of implementing the Long-Term Plan. This excludes any outstanding commitments/encumbrances at

¹Based on projected costs presented in the Everglades Protection Area Tributary Basins Conceptual Plan for Achieving Long-Term Water Quality Goals Final Report, dated October 27, 2003.

September 30, 2004 that will roll forward into FY2005. The O&M of the 1994 ECP accounts for \$7.0 million, or 43.4 percent of the total expenditure amount.

The FY2005 adopted budget is \$57.0 million of which \$10.4 million relates to the 1994 ECP O&M, including \$262,197 projected for the incremental O&M costs associated with the Long-Term Plan enhancements and modifications located at STA-3/4. The remaining \$46.6 million covers all other Long-Term Plan/EFA components, STA enhancements, operations, monitoring, program management, research and evaluation.

The five-year forecast (FY2005–FY2009) of EFA-related cost estimates (excluding the 1994 ECP) totals \$336.7 million, which is comprised of \$194.9 million from the Long-Term Plan schedule, \$103.3 million is for other EFA components (example: Research, Evaluation and Monitoring), and the remaining \$38.5 million is for future projects as determined by revised schedules. The \$194.9 million represents the project components listed in the current Long-Term Plan schedule during this five-year time frame. The costs associated with these project components include \$57.9 million for ECP O&M, \$28.8 million for STA enhancement construction, and \$108.2 million for other Long-Term Plan project components (**Figure 6-3**).

Current Long-Term Plan cost estimates (\$443.9 million) for the various components projected through FY2016, are as follows:

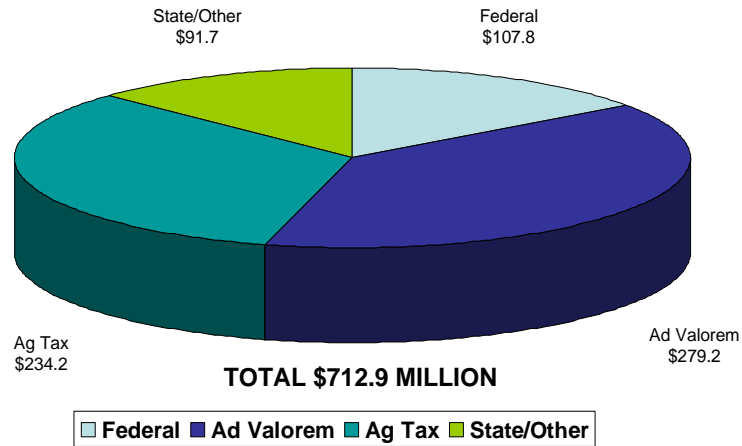
- Operations, Maintenance and Monitoring	\$220.6 million
- Pre-2006 Strategies, ECP Basins	\$31.5 million
- Pre-2006 Strategies, ESP Basins	\$1.9 million
- Process Development and Engineering	\$96.2 million
- Recovery of Impacted Areas	\$44.5 million
- Funds-Adaptive Implementation Post-2006 Strategies	\$36.0 million
- Program Management	\$13.2 million

OTHER EFA RESTORATION PROGRAM ELEMENTS

In addition to the ECP, the 1994 EFA outlined other important elements of the Everglades Restoration Program that were required but not funded by the dedicated one-tenth *ad valorem* revenue source. These elements included research, regulatory program development and implementation, exotic species control, O&M of the non-STA project components, and other activities. Since the original 1994 EFA did not designate funding sources beyond the Everglades Construction Project, one-tenth mill revenue source, the District used other *ad valorem* sources to cover these elements. Prior to the changes made in the 1994 EFA, and the inclusion of many of these element activities in the initial implementation stage of the Long-Term Plan, the inception-to-date expenditures (FY1994–FY2004) for these elements totaled approximately \$79.0 million.

ORIGINAL 1994 ECP PROJECT ESTIMATES REVENUE

(In millions of dollars)



EXPENSE

(In millions of dollars)

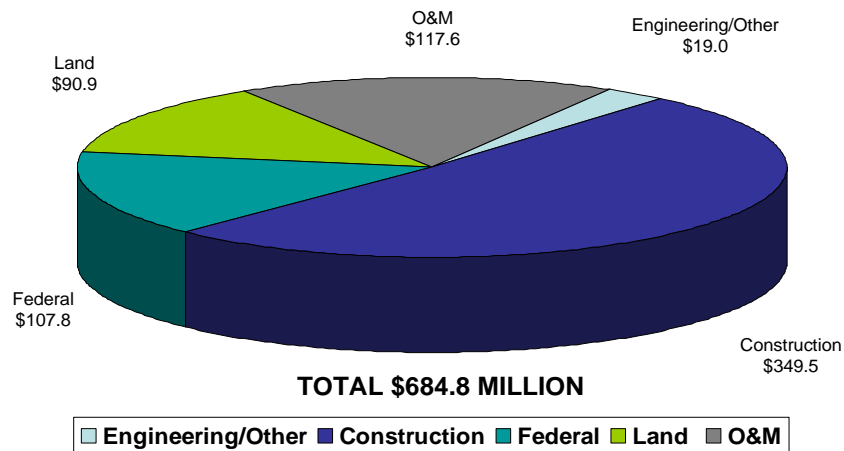
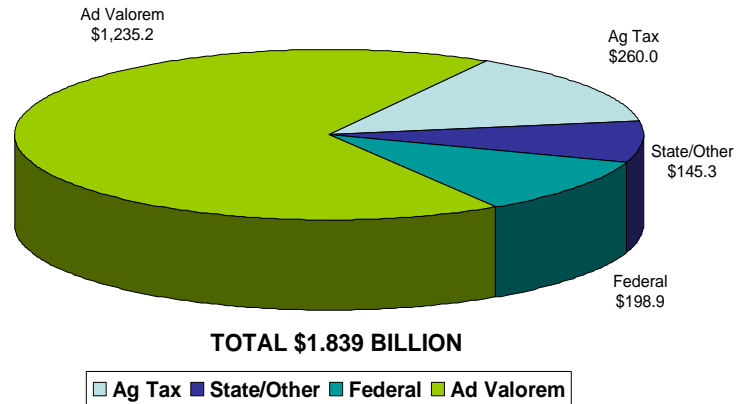


Figure 6-1. Original (1994) ECP project estimates.

CURRENT EFA PROJECT ESTIMATES 2004 REVENUE

(In millions of dollars)



EXPENSE

(In millions of dollars)

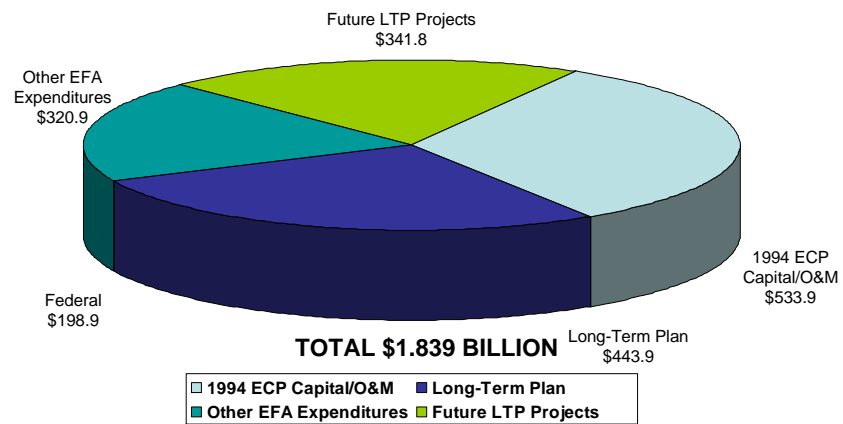


Figure 6-2. Current (2004) project estimates for the Everglades (EFA) Project.

FIVE-YEAR EFA PROJECT ESTIMATES

October 1, 2004 to September 30, 2009

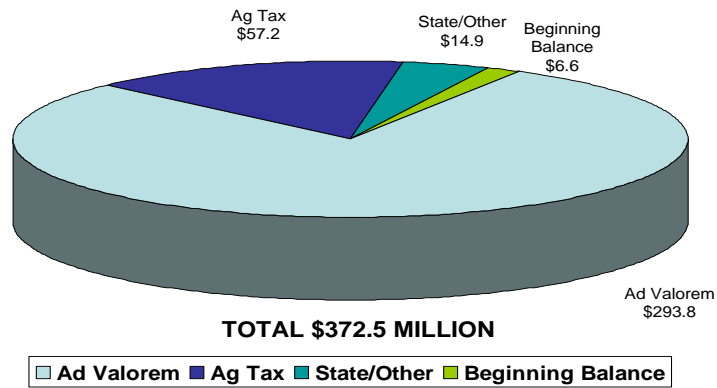
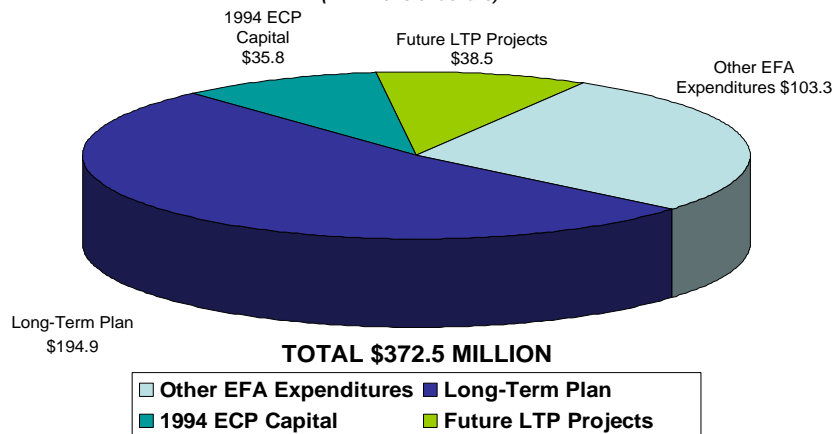
REVENUE*(In millions of dollars)***EXPENSE***(In millions of dollars)*

Figure 6-3. Five-year (October 1, 2004 through September 30, 2009) project estimates for the EFA project.

ACTUAL VERSUS EFA PROJECTED REVENUE

Through September 30, 2004 for the Everglades (EFA) Project

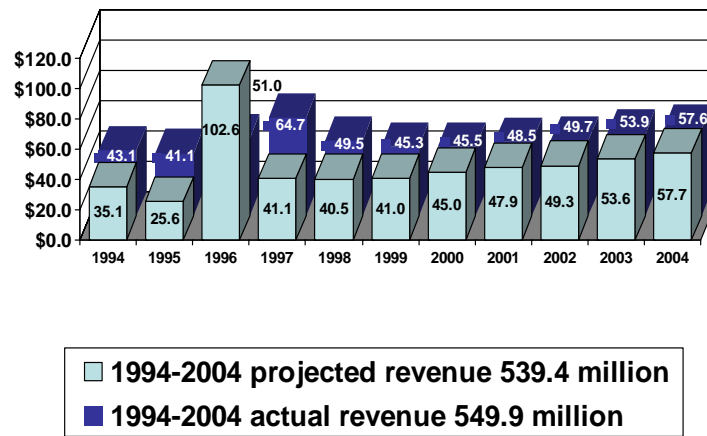


Figure 6-4. Actual versus project revenues through September 30, 2004.